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Arizona Corporation Commission
BEFORE THE ARIZONA CORPORATION COMMISSION

SEP 28 2000 P 4 34

CARL J. KUNASEK
Chairman
JAMES M. IRVIN
Commissioner
WILLIAM MUNDELL
Commissioner

SEP 28 2000

AZ CORP COMMISSION
DOCUMENT CONTROL

IN THE MATTER OF THE APPLICATION
OF NORTHERN STATES POWER COMPANY,
A MINNESOTA CORPORATION, AND
BLACK MOUNTAIN GAS, A SUBSIDIARY
OF NORTHERN STATES POWER COMPANY,
A MINNESOTA CORPORATION, TO
DETERMINE EARNINGS FOR RATEMAKING
PURPOSES, TO FIX A JUST AND
REASONABLE RATE OF RETURN THEREON
AND TO APPROVE RATE SCHEDULES
DESIGNED TO DEVELOP SUCH RETURN
FOR THE CAVE CREEK DIVISION.

Docket No. G-03703A-00-0283

NOTICE OF FILING AMENDED
SCHEDULES

On April 28, 2000, Northern States Power Company ("NSP") and Black Mountain Gas Company ("BMG") filed an application for to determine BMG's earnings for ratemaking purposes, to fix a just and reasonable rate of return thereon, and to approve rate schedules designed to develop such return for BMG's Cave Creek Operations. The base cost of purchased gas included in the proposed rates as reflect in the original application was \$0.27 per therm—unchanged since BMG's last rate case. The overall increase in the proposed base rates was approximately 6.60%. NSP's and BMG's request has not changed in this regard. However, since the April filing, the market price of natural gas has increased to over \$0.50 per therm. Although the gas futures

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Commissioner

DOCKETED BY

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IN THE MATTER OF THE APPLICATION
OF NORTHERN STATES POWER COMPANY,
A MINNESOTA CORPORATION, AND
BLACK MOUNTAIN GAS, A SUBSIDIARY
OF NORTHERN STATES POWER COMPANY,
A MINNESOTA CORPORATION, TO
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1 has increased to over \$0.50 per therm. Although the gas futures
2 markets indicate that gas prices may decline during the coming
3 months, it is unlikely that they will return to the \$0.20
4 levels. Accordingly, NSP and BMG hereby file the attached
5 amended schedules reflecting a revised base cost of purchased
6 gas of \$0.42 per therm or an increase of \$0.15 per therm.

7 The revised rates contained in these amended schedules do
8 not increase BMG's margins nor do they produce a return on rate
9 base greater than the 9.61% originally requested in the April
10 filing. This isolated change in the filing will not materially
11 increase the effort required by Staff or other interveners to
12 review and analyze thoroughly all aspects of the filing.
13 Accordingly, there is no need to extend or modify the filing
14 dates contained in the rate case procedural order of June 20,
15 2000.

16 RESPECTFULLY SUBMITTED this 26th day of September, 2000.

17 FENNEMORE CRAIG, P.C.

18
19 By 

20 Timothy Berg
21 Theresa Dwyer
22 3003 North Central, Suite 2600
23 Phoenix, Arizona 85012
24 Attorneys for Northern States
25 Power and Black Mountain Gas
26 Company

24 ORIGINAL AND TEN COPIES of
25 the foregoing hand-delivered
26 for filing this 26th day of
September, 2000, to:

1 ARIZONA CORPORATION COMMISSION
2 DOCKET CONTROL
1200 West Washington Street
3 Phoenix, AZ 85007
4 COPIES of the foregoing hand delivered
this 26th day of April, 2000 to:
5 Lyn Farmer, Chief Counsel
6 Janice Alward
Legal Division
7 ARIZONA CORPORATION COMMISSION
1200 West Washington
8 Phoenix, Arizona 85007
9 Deborah R. Scott, Director
Utilities Division
10 ARIZONA CORPORATION COMMISSION
1200 West Washington
11 Phoenix, Arizona 85007
12 Jerry Rudibaugh, Chief Hearing Officer
Hearing Division
13 ARIZONA CORPORATION COMMISSION
1200 West Washington
14 Phoenix, Arizona 85007
15 Scott S. Wakefield, Chief Counsel
RUCO
16 2828 N. Central Avenue, Suite 1200
Phoenix, Arizona 85004

17
18 
By:
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25
26

AMENDED
SCHEDULE
PURSUANT
TO
AACR14-2-103

A

BLACK MOUNTAIN GAS DIVISION OF NSP
CAVE CREEK OPERATION
Test Year Ended December 31, 1999

COMPUTATION OF INCREASE IN GROSS REVENUE REQUIREMENTS

DESCRIPTION	ORIGINAL COST	RCND
Adjusted Rate Base (1)	\$11,100,500	\$11,100,500
Adjusted Operating Income (2)	871,566	871,566
Current Rate of Return	7.85%	7.85%
FAIR VALUE		
Fair Value Rate Base (50/50)	\$11,100,500	
Required Rate of Return	9.61%	
Operating Income Requirement	\$1,066,620	
Operating Income Deficiency	195,054	
Gross Revenue Conversion Factor (3)	1.6722	
Increase in Gross Revenue Requirements	\$326,178	
Indicated Percentage Increase (4)	6.60%	

SUMMARY OF PROPOSED CHANGES IN CLASS REVENUES	PRESENT REVENUES	PROPOSED REVENUES	PERCENT INCREASE
Residential Gas Sales	\$3,879,925	\$4,757,555	22.62%
Commercial Gas Sales	1,007,444	\$1,231,558	22.25%
Total Gas Sales	4,887,369	5,989,113	22.54%
Other Gas Revenues	56,570	64,740	14.44%
Total Gas Revenues	\$4,943,939	\$6,053,853	22.45%
		AMOUNT	PERCENT
Increase in Residential Sales Due To:			
Increase in Base Cost of Purch. Gas		\$605,037	15.59%
Increase in Base Rates		272,593	7.03%
Increase in Commercial Sales Due To:			
Increase in Base Cost of Purch. Gas		\$178,699	17.74%
Increase in Base Rates		45,415	4.51%

Supporting Schedules:

- (1) Schedule B-1
- (2) Schedule C-1
- (3) Schedule C-3
- (4) Schedule H-1

BLACK MOUNTAIN GAS DIVISION OF NSP
TOTAL DIVISION
Test Year Ended December 31, 1999

SUMMARY RESULTS OF OPERATIONS

DESCRIPTION	YEAR ENDED (1)				PROJECTED YEAR (3)	
	12-31-97	12-31-98	12-31-99	12-31-99 (2)	PRESENT RATES	PROPOSED RATES
Operating Revenues	\$5,363,711	\$5,983,479	\$5,876,261	\$6,982,817	\$7,233,324	\$7,579,324
Operating Expenses	4,133,800	4,818,304	4,931,633	6,085,604	6,300,650	6,454,692
Operating Income	1,229,911	1,165,175	944,628	897,213	932,674	1,124,632
Other Operating Income	145,347	148,469	27,426	27,426	29,072	29,072
Other Income	40,793	33,071	58,947	58,947	60,000	60,000
Interest Expense	(119,839)	(97,093)	(142,265)	(142,265)	(174,000)	(174,000)
Net Income	\$1,296,212	\$1,249,622	\$888,736	\$841,321	\$847,745	\$1,039,703
Return on Average Capital	13.21%	9.96%	7.55%	7.17%	6.97%	8.09%
Return on Y/E Capital	10.87%	9.65%	7.29%	6.92%	6.75%	8.03%
Return on Average Equity	18.62%	14.37%	9.34%	8.84%	8.16%	9.54%
Return on Y/E Equity	15.58%	13.78%	8.92%	8.45%	7.84%	9.45%

Supporting Schedules:

- (1) Schedule E-2
- (2) Adjusted Test Year - Schedule C-1
- (3) Schedule F-1

**BLACK MOUNTAIN GAS DIVISION OF NSP
TOTAL DIVISION**

Test Year Ended December 31, 1999

SUMMARY OF CAPITAL STRUCTURE

DESCRIPTION	YEAR ENDED (1)			PROJECTED YEAR	
	12-31-97	12-31-98	12-31-99	PRESENT RATES	PROPOSED RATES
Long Term Debt	\$3,000,000	\$3,000,000	\$3,000,000	\$3,000,000	\$3,000,000
Common Equity	8,319,026	9,070,826	9,959,563	10,807,308	10,999,266
Total Capital	<u>\$11,319,026</u>	<u>\$12,070,826</u>	<u>\$12,959,563</u>	<u>\$13,807,308</u>	<u>\$13,999,266</u>
Capitalization Ratios:					
Long Term Debt	26.50%	24.85%	23.15%	21.73%	21.43%
Common Equity	73.50%	75.15%	76.85%	78.27%	78.57%
Total Capital	<u>100.00%</u>	<u>100.00%</u>	<u>100.00%</u>	<u>100.00%</u>	<u>100.00%</u>

Note:
(1) Schedule E-2

BLACK MOUNTAIN GAS DIVISION OF NSP
TOTAL DIVISION

Test Year Ended December 31, 1999

SUMMARY STATEMENT OF CASH FLOWS

DESCRIPTION	YEAR ENDED (1)			PROJECTED YEAR (2)	
	12-31-97	12-31-98	12-31-99	PRESENT RATES	PROPOSED RATES
Cash Flows From Operations:					
Net Income	\$1,296,212	\$102,158	\$888,736	\$847,745	\$1,039,703
Non-Cash Adjustments	566,593	601,906	557,314	\$570,000	\$570,000
	<u>1,862,805</u>	<u>704,064</u>	<u>1,446,050</u>	<u>\$1,417,745</u>	<u>\$1,609,703</u>
Change in Current Assets and Liabilities	(486,205)	(228,044)	871,504	655,206	655,206
Cash Expenditures - Plant	(1,072,662)	(942,286)	(3,539,872)	(2,150,975)	(2,150,975)
Other Cash Items	0	759,025	686,510		
Financing Activities - Net	(202,007)	451,941	(191,157)	200,000	200,000
Net Increase in Cash	101,931	744,700	(726,965)	121,976	383,934
Beginning Cash	299,377	401,308	1,146,008	419,043	419,043
Ending Cash	<u>\$401,308</u>	<u>\$1,146,008</u>	<u>\$419,043</u>	<u>\$541,019</u>	<u>\$802,977</u>

Notes:

- (1) Schedule E-3
- (2) Schedule F-2

C

BLACK MOUNTAIN GAS DIVISION OF NSP
CAVE CREEK OPERATION
Test Year Ended December 31, 1999

OPERATING INCOME STATEMENT

DESCRIPTION	ACTUAL AT 12-31-99 (1)	PRO FORMA (2) ADJUSTMENTS	ADJUSTED AMOUNT
Revenues:			
Gas Sales	\$4,635,685	\$1,084,892	\$5,720,577
Other Gas Revenues	34,906	21,664	56,570
Total Revenues	4,670,591	1,106,556	5,777,147
Operating Expenses:			
Purchased Gas Cost	1,406,683	837,251	2,243,934
Operating Wages & Expense	119,197	52,551	171,748
Maintenance Wages & Expense	103,161	0	103,161
Customer Accounting	116,456	32,368	148,824
Customer Service	33,232	0	33,232
Sales Promotion	53,750	47,660	101,410
Administrative & General	665,995	100,346	766,341
Depreciation	498,072	83,038	581,110
Property Taxes	212,052	0	212,052
Other Taxes	6,606	0	6,606
Corporate Expense Allocation	26,276	0	26,276
Income Taxes	510,130	757	510,887
Total Operating Expenses	3,751,610	1,153,971	4,905,581
Operating Income	\$918,981	(\$47,415)	\$871,566

Supporting Schedules:
(1) Schedule E-6
(2) Schedule C-2

BLACK MOUNTAIN GAS DIVISION OF NSP
CAVE CREEK OPERATION
Test Year Ended December 31, 1999

PRO FORMA ADJUSTMENTS TO OPERATING INCOME STATEMENT

DESCRIPTION	AMOUNT
TEST YEAR MARGINS:	
Adjustments Required to Restore Test Year Margins to Base Rates:	
Pro Forma Adjustment - Gas Sales	\$40,496
Pro Forma Adjustment - Purchased Gas Cost	(19,579)
YEAR-END CUSTOMERS:	
Adjustments to Annualize Residential Gas Sales:	
Pro Forma Adjustment - Gas Sales	\$260,660
Pro Forma Adjustment - Purchased Gas Cost	73,094
Pro Forma Adjustment - Customer Accounting	11,263
CUSTOMER BILLING:	
Adjustment to Reflect Increased Billing Costs:	
Pro Forma Adjustment - Customer Accounting	\$6,602
INCREASE IN BASE COST OF GAS:	
Adjustment to Reflect Increase in Base Cost of Gas to \$.42 per Therm	
Pro Forma Adjustment - Gas Sales	\$783,736
Pro Forma Adjustment - Purchased Gas Cost	783,736
DEPRECIATION ON YEAR-END PLANT:	
Adjustment to Annualize Depreciation Expense on Year-End Plant:	
Pro Forma Adjustment - Depreciation	\$83,038
INCENTIVE BONUSES:	
Adjustments to Record 1999 Bonuses Not Accrued at 12-31-99:	
Pro Forma Adjustment - Operating Wages & Expense	\$12,571
Pro Forma Adjustment - Customer Accounting Salaries & Wages	5,388
Pro Forma Adjustment - Sales Promotion Salaries & Wages	3,592
Pro Forma Adjustment - Admin. & Gen. Salaries & Wages	14,367

BLACK MOUNTAIN GAS DIVISION OF NSP
CAVE CREEK OPERATION
Test Year Ended December 31, 1999

PRO FORMA ADJUSTMENTS TO OPERATING INCOME STATEMENT

DESCRIPTION	AMOUNT
INCOME TAXES:	
Income Taxes on Pro Forma Adjustments:	
Revenues	\$1,106,556
Expenses	<u>1,153,214</u>
Net Pro Forma Operating Income Adjustment Before Income Taxes	(46,658)
Income Taxes @ 40.2%	(18,757)
Reallocation of Federal Income Taxes Among Operations	<u>19,514</u>
Net Pro Forma Adjustment to Income Taxes	<u>\$757</u>

F

BLACK MOUNTAIN GAS DIVISION OF NSP
TOTAL DIVISION
Test Year Ended December 31, 1999

PROJECTED INCOME STATEMENTS - PRESENT AND PROPOSED RATES

DESCRIPTION	TEST YEAR 12-31-99	PROJECTED YEAR AT	
		PRESENT RATES 12-31-00	PROPOSED RATES 12-31-00
Operating Revenues:			
Gas Sales	\$5,839,533	\$7,194,596	\$7,531,596
Other Operating Revenues	36,728	38,728	47,728
Total Operating Revenues	5,876,261	7,233,324	7,579,324
Operating Expenses:			
Purchased Gas Cost	1,987,846	3,064,909	3,064,909
Operating Wages & Expense	149,009	157,950	157,950
Maintenance Wages & Expense	149,184	158,135	158,135
Customer Accounting	169,504	179,674	179,674
Customer Service	52,170	55,300	55,300
Sales Promotion	73,096	77,482	77,482
Administrative & General	930,924	986,779	986,779
Depreciation	625,206	755,206	755,206
Property Taxes	229,290	254,290	279,290
Other Taxes	7,608	7,608	7,608
Corporate Expenses	33,429	33,429	33,429
Income Taxes	524,367	569,888	698,930
Total Operating Expenses	4,931,633	6,300,650	6,454,692
Utility Operating Income	944,628	932,674	1,124,632
Other Operations:			
Revenues	738,042	782,325	782,325
Cost of Sales	(376,268)	(398,844)	(398,844)
Revenues, Less Cost of Sales	361,774	383,480	383,480
Other Expenses	(302,486)	(320,635)	(320,635)
Income Taxes	(31,862)	(33,774)	(33,774)
Total Other Operating Income	27,426	29,072	29,072
Other Income:			
AFUDC - Equity	92,280	100,000	100,000
Income Taxes	(33,333)	(40,000)	(40,000)
Total Other Income	58,947	60,000	60,000
Interest Income (Expense):			
Interest Income	71,166	75,000	75,000
Interest on Customer Deposits	(7,044)	(9,000)	(9,000)
Interest Expense	(206,387)	(240,000)	(240,000)
Total Interest Expense	(142,265)	(174,000)	(174,000)
Net Income	\$888,736	\$847,745	\$1,039,703

BLACK MOUNTAIN GAS DIVISION OF NSP
TOTAL DIVISION
Test Year Ended December 31, 1999

PROJECTED STATEMENTS OF CASH FLOWS - PRESENT AND PROPOSED RATES

DESCRIPTION	TEST YEAR 12-31-99	PROJECTED YEAR AT	
		PRESENT RATES	PROPOSED RATES
		12-31-00	12-31-00
Cash Flows From Operations:			
Net Income	\$888,736	\$847,745	\$1,039,703
Non-Cash Adjustments	557,314	570,000	570,000
	<u>1,446,050</u>	<u>1,417,745</u>	<u>1,609,703</u>
Change in Current Assets & Liabilities	871,504	655,206	655,206
Other Cash Changes	686,510	70,000	70,000
Cash Expenditures - Plant	(3,539,872)	(\$2,150,975)	(\$2,150,975)
Financing Activities - Net	(191,157)	200,000	200,000
Net Increase (Decrease) in Cash	(726,965)	191,976	383,934
Beginning Cash	1,146,008	419,043	419,043
Ending Cash	<u>\$419,043</u>	<u>\$611,019</u>	<u>\$802,977</u>

**BLACK MOUNTAIN GAS DIVISION OF NSP
TOTAL DIVISION
Test Year Ended December 31, 1999**

KEY ASSUMPTIONS SUPPORTING THE DEVELOPMENT OF PROJECTIONS

DESCRIPTION

PROJECTED INCOME STATEMENTS & STATEMENTS OF CASH FLOWS - PRESENT RATES:

Projected income statements and statements of cash flows at present rates are based on the following key assumptions:

- Increase in gas sales: Cave Creek - 6%; Page - 0%
- Increase in purchased gas cost: Cave Creek - 6%; Page - 0%
- Increase in other operating & maintenance expenses: 6% for total Division
- Increase in depreciation: \$130,000 for total Division
- Increase in property taxes: \$25,000 for total Division

PROJECTED INCOME STATEMENTS & STATEMENTS OF CASH FLOWS - PROPOSED RATES:

Projected income statements and statements of cash flows at proposed rates are based on projections at present rates adjusted for the proposed increase in base rates for the Cave Creek Operation of 6.60%.

G

BLACK MOUNTAIN GAS DIVISION OF NSP
CAVE CREEK OPERATION
COST OF SERVICE SUMMARY - PRESENT RATES
TEST YEAR ENDED DECEMBER 31, 1999

DESCRIPTION	TOTAL	RESIDENTIAL	COMMERCIAL
Operating Revenues	\$5,777,147	\$4,577,997	\$1,199,150
Operating Expenses:			
Purchased Gas	\$2,243,934	\$1,732,297	\$511,637
Distribution Expense - Operation	171,748	137,259	34,489
Distribution Expense - Maintenance	103,161	82,951	20,210
Customer Accounts Expense	148,824	144,280	4,544
Customer Service	33,232	32,217	1,015
Sales Promotion	101,410	78,288	23,122
Administrative & General	766,341	648,072	118,269
Depreciation	581,110	477,803	103,307
Property Taxes	212,052	174,354	37,698
Other Taxes	6,606	5,587	1,019
Corporate Expense Allocation	26,276	22,221	4,055
Income Taxes	510,887	385,319	125,568
Total Operating Expenses	\$4,905,581	\$3,920,648	\$984,933
Operating Income	\$871,566	\$657,349	\$214,217
Rate Base	\$11,100,500	\$9,111,219	\$1,989,281
% Return - Present Rates	7.85%	7.21%	10.77%
Return Index	1.00	0.92	1.37

BLACK MOUNTAIN GAS DIVISION OF NSP
CAVE CREEK OPERATION
COST OF SERVICE SUMMARY - PROPOSED RATES
TEST YEAR ENDED DECEMBER 31, 1999

DESCRIPTION	TOTAL	RESIDENTIAL	COMMERCIAL
Operating Revenues	\$6,103,325	\$4,858,510	\$1,244,815
Operating Expenses:			
Purchased Gas	\$2,243,934	\$1,732,297	\$511,637
Distribution Expense - Operation	171,748	137,259	34,489
Distribution Expense - Maintenance	103,161	82,951	20,210
Customer Accounts Expense	148,824	144,280	4,544
Customer Service	33,232	32,217	1,015
Sales Promotion	101,410	78,288	23,122
Administrative & General	766,341	648,072	118,269
Depreciation	581,110	477,803	103,307
Property Taxes	212,052	174,354	37,698
Other Taxes	6,606	5,587	1,019
Corporate Expense Allocation	26,276	22,221	4,055
Income Taxes	642,011	498,085	143,925
Total Operating Expenses	\$5,036,705	\$4,033,414	\$1,003,291
Operating Income	\$1,066,620	\$825,096	\$241,525
Rate Base	\$11,100,500	\$9,111,219	\$1,989,281
% Return - Proposed Rates	9.61%	9.06%	12.14%
Return Index	1.00	0.94	1.26

BLACK MOUNTAIN GAS DIVISION OF NSP
CAVE CREEK OPERATION
TEST YEAR ENDED DECEMBER 31, 1999

UNIT COSTS		CUSTOMER CLASS		
DESCRIPTION	FACTOR	TOTAL	RESIDENTIAL	COMMERCIAL
UNIT COSTS - PRESENT RATES:				
DEMAND:				
Amount		\$2,148,308	\$1,716,906	\$431,402
Bills		69,985	67,848	2,137
Therms		5,224,909	4,033,583	1,191,326
Per Bill		\$30.70	\$25.31	\$201.87
Per Therm		\$0.41	\$0.43	\$0.36
COMMODITY:				
Amount		\$2,620,175	\$2,022,752	\$597,423
Per Therm		\$0.50	\$0.50	\$0.50
CUSTOMER:				
Amount		\$971,049	\$899,419	\$71,630
Per Bill		\$13.88	\$13.26	\$33.52
UNIT COSTS - PROPOSED RATES:				
DEMAND:				
Amount		\$2,389,374	\$1,909,564	\$479,810
Per Bill		\$34.14	\$28.14	\$224.53
Per Therm		\$0.46	\$0.47	\$0.40
COMMODITY:				
Amount		\$2,620,175	\$2,022,752	\$597,423
Per Therm		\$0.50	\$0.50	\$0.50
CUSTOMER:				
Amount		\$1,047,744	\$967,557	\$80,187
Per Bill		\$14.97	\$14.26	\$37.52

BLACK MOUNTAIN GAS DIVISION OF NSP
CAVE CREEK OPERATION
TEST YEAR ENDED DECEMBER 31, 1999

ALLOC. OF INCOME STATEMENT		CUSTOMER CLASS		
DESCRIPTION	FACTOR	TOTAL	RESIDENTIAL	COMMERCIAL
REVENUES:				
Gas Sales - Base Rates		\$5,671,105	\$4,484,962	\$1,186,143
PGA	CM-1	49,472	38,192	11,280
Service Charges & Other Revenues	C-4	56,570	54,843	1,727
Total Revenues		\$5,777,147	\$4,577,997	\$1,199,150
OPERATING EXPENSES:				
Purchased Gas	CM-1	\$2,243,934	\$1,732,297	\$511,637
Distribution Expense - Operation:				
Demand	D-1	\$171,748	137,259	34,489
Commodity	CM-1	0	0	0
Customer - Services	C-1	0	0	0
Customer - Meters	C-2	0	0	0
Customer - Meter Installations	C-3	0	0	0
Customer - Customer Accounts	C-4	0	0	0
Total		\$171,748	\$137,259	\$34,489
Distribution Expense - Maintenance:				
Demand	D-1	\$99,917	79,853	20,064
Commodity	CM-1	0	0	0
Customer - Services	C-1	3,241	3,096	145
Customer - Meters	C-2	3	2	1
Customer - Meter Installations	C-3	0	0	0
Customer - Customer Accounts	C-4	0	0	0
Total		\$103,161	\$82,951	\$20,210
Customer Accounting:				
Demand	D-1	\$0	0	0
Commodity	CM-1	0	0	0
Customer - Services	C-1	0	0	0
Customer - Meters	C-2	0	0	0
Customer - Meter Installations	C-3	0	0	0
Customer - Customer Accounts	C-4	148,824	144,280	4,544
Total		\$148,824	\$144,280	\$4,544
Customer Service:				
Demand	D-1	\$0	0	0
Commodity	CM-1	0	0	0
Customer - Services	C-1	0	0	0
Customer - Meters	C-2	0	0	0
Customer - Meter Installations	C-3	0	0	0
Customer - Customer Accounts	C-4	33,232	32,217	1,015
Total		\$33,232	\$32,217	\$1,015

BLACK MOUNTAIN GAS DIVISION OF NSP
CAVE CREEK OPERATION
TEST YEAR ENDED DECEMBER 31, 1999

ALLOC. OF INCOME STATEMENT		CUSTOMER CLASS		
DESCRIPTION	FACTOR	TOTAL	RESIDENTIAL	COMMERCIAL
Sales Promotion:				
Demand	D-1	\$0	0	0
Commodity	CM-1	101,410	78,288	23,122
Customer - Services	C-1	0	0	0
Customer - Meters	C-2	0	0	0
Customer - Meter Installations	C-3	0	0	0
Customer - Customer Accounts	C-4	0	0	0
Total		\$101,410	\$78,288	\$23,122
Administrative & General:				
Demand	D-1	\$251,530	201,020	50,510
Commodity	CM-1	263,524	203,438	60,086
Customer - Services	C-1	0	0	0
Customer - Meters	C-2	0	0	0
Customer - Meter Installations	C-3	0	0	0
Customer - Customer Accounts	C-4	251,287	243,614	7,673
Total		\$766,341	\$648,072	\$118,269
Depreciation:				
Demand	D-1	\$435,245	347,843	87,402
Commodity	CM-1	0	0	0
Customer - Services	C-1	93,899	89,696	4,204
Customer - Meters	C-2	34,518	23,516	11,002
Customer - Meter Installations	C-3	17,448	16,748	700
Customer - Customer Accounts	C-4	0	0	0
Total		\$581,110	\$477,803	\$103,307
Property Taxes:				
Demand	D-1	\$158,825	126,931	31,894
Commodity	CM-1	0	0	0
Customer - Services	C-1	34,265	32,731	1,534
Customer - Meters	C-2	12,596	8,581	4,015
Customer - Meter Installations	C-3	6,367	6,112	255
Customer - Customer Accounts	C-4	0	0	0
Total		\$212,052	\$174,354	\$37,698

BLACK MOUNTAIN GAS DIVISION OF NSP
CAVE CREEK OPERATION
TEST YEAR ENDED DECEMBER 31, 1999

ALLOC. OF INCOME STATEMENT		CUSTOMER CLASS		
DESCRIPTION	FACTOR	TOTAL	RESIDENTIAL	COMMERCIAL
Other Taxes:				
Demand	D-1	\$2,168	1,733	435
Commodity	CM-1	2,272	1,754	518
Customer - Services	C-1	0	0	0
Customer - Meters	C-2	0	0	0
Customer - Meter Installations	C-3	0	0	0
Customer - Customer Accounts	C-4	2,166	2,100	66
Total		\$6,606	\$5,587	\$1,019
Corporate Allocation:				
Demand	D-1	\$8,624	6,893	1,732
Commodity	CM-1	9,036	6,975	2,060
Customer - Services	C-1	0	0	0
Customer - Meters	C-2	0	0	0
Customer - Meter Installations	C-3	0	0	0
Customer - Customer Accounts	C-4	8,616	8,353	263
Total		\$26,276	\$22,221	\$4,055
Total Operation Expenses Ex. Inc. Tx		\$4,394,694	\$3,535,329	\$859,365
Operating Income Ex. Inc. Tx		1,382,453	1,042,668	339,785
Percent		100.00%	75.42%	24.58%
Income Taxes - Present Rates		510,887	385,319	125,568
Operating Income - Present Rates		871,566	657,349	214,217
Revenue Requirement		6,103,325	4,858,510	1,244,815
Revenue Increase		326,178	280,513	45,665
Percent Increase		5.75%	6.25%	3.85%
Increase in Income Taxes		131,124	112,766	18,357
Increase In Operating Income		195,054	167,747	27,308
Adjusted Operating Income		1,066,620	825,096	241,525
Return on Rate Base		9.61%	9.06%	12.14%
Return Index		1.00	0.94	1.26
Revenues - Proposed Rates		6,103,325	4,858,510	1,244,815
Income Taxes - Proposed Rates		642,011	498,085	143,925

BLACK MOUNTAIN GAS DIVISION OF NSP
CAVE CREEK OPERATION
TEST YEAR ENDED DECEMBER 31, 1999

FUNCT. OF OPERATING EXPENSES

DESCRIPTION	FACTOR	TOTAL	DEMAND	COMMOD.	SERVICES	METERS	MTR. INST.	CUST.
Purchased Gas Cost	F-2	2,243,934		2,243,934				
Operations:								
Operating Supervision & Labor	F-3	159,134	159,134					0
Vaporizer Expenses	F-1	0	0					0
Mains & Services Expenses	F-3	11,060	11,060					0
Other Operating Expenses	F-3	1,554	1,554					0
Total Operations Expense		171,748	171,748	0	0	0	0	0
Maintenance:								
Maint. Supervision & Eng.	F-3	50,730	50,730					0
Maint. of Structures & Imp.	F-3	13,711	13,711					0
Maint. of Mains	F-3	7,405	7,405					0
Maint. of Vaporizer	F-1	44	44					0
Maint. of Measuring Equip.	F-3	0	0					0
Maint. of Services	F-4	3,241			3,241			0
Maint. of Meters & Regulators	F-5	3				3		0
Maint. of Other Equip.	F-3	28,027	28,027					0
Total Maintenance Expense		103,161	99,917	0	3,241	3	0	0
Customer Accounting:								
Customer Accounting Payroll		130,171						
Customer Records Expense		5,449						
Uncollectible Accounts		(371)						
Misc. Cust. Acct. Expenses		13,575						
Total Customer Acct. Expense	F-7	148,824						148,824
Customer Service:								
Customer Service Expense	F-7	33,232						33,232
Sales Promotion Expense:								
Promotion Payroll		56,943						
Advertising Expenses		41,252						
Misc. Sales Expenses		3,215						
Total Sales Promotion Expense	F-2	101,410		101,410				

BLACK MOUNTAIN GAS DIVISION OF NSP
CAVE CREEK OPERATION
TEST YEAR ENDED DECEMBER 31, 1999

FUNCT. OF OPERATING EXPENSES

DESCRIPTION	FACTOR	TOTAL	DEMAND	COMMOD.	SERVICES	METERS	MTR. INST.	CUST.
Administrative & General Expenses:								
Admin. & General Salaries		207,453						
Office Supplies & Expense		17,761						
Professional Services		184,977						
Property & Liability Insurance		24,855						
Employee Benefits		123,582						
Other Administrative Supplies		4,292						
General Advertising		225						
Misc. Admin & General		79,044						
Rent Expense		29,811						
Maint. of General Plant		2						
Telephone Expense		29,362						
Other Utilities Expense		7,206						
Transportation Expense		21,266						
Travel & Entertainment		9,932						
Business Meals		5,903						
Taxes & Licenses		0						
Postage Expense		20,670						
Total Administrative & General Exp.	F-9	766,341	251,530	263,524	0	0	0	251,287
Depreciation	F-8	581,110	435,245	0	93,899	34,518	17,448	0
Property Taxes	F-8	212,052	158,825	0	34,265	12,596	6,367	0
Other Taxes	F-9	6,606	2,168	2,272	0	0	0	2,166
Corporate Exp. Allocation	F-9	26,276	8,624	9,036	0	0	0	8,616
Total Operating Exp. Ex. Inc. Taxes		4,394,694	1,128,057	2,620,175	131,405	47,117	23,815	444,125
Functionalization of S & W:								
Operations	F-1/F-3	159,134	79,567	79,567				0
Maintenance	F-3	50,730	50,730					0
Customer Accounting	F-7	130,171						130,171
Sales Promotion	F-2	56,943		56,943				
Total		396,978	130,297	136,510	0	0	0	130,171
Percent	F-9	100.00%	32.82%	34.39%	0.00%	0.00%	0.00%	32.79%

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BLACK MOUNTAIN GAS DIVISION OF NSP
CAVE CREEK OPERATION
Test Year Ended December 31, 1999

SUMMARY OF REVENUES AT PRESENT AND PROPOSED RATES

DESCRIPTION	PRESENT REVENUES (1)	INCREASE IN RATES DUE TO:			PERCENTAGE INCREASE		
		PURCH. GAS	BASE RATES	TOTAL	PURCH. GAS	BASE RATES	TOTAL
Residential Gas Sales	\$3,879,925	\$605,037	\$272,593	\$877,630	15.59%	7.03%	22.62%
Commercial Gas Sales	1,007,444	\$178,699	45,415	224,114	17.74%	4.51%	22.25%
Total Gas Sales	4,887,369	783,736	318,008	1,101,744	16.04%	6.51%	22.54%
Other Operating Revenues	56,570	0	8,170	8,170	0.00%	14.44%	14.44%
Total Gas Revenues	<u>\$4,943,939</u>	<u>\$783,736</u>	<u>\$326,178</u>	<u>\$1,109,914</u>	<u>15.85%</u>	<u>6.60%</u>	<u>22.45%</u>

DESCRIPTION	PRESENT REVENUES (1)	TOTAL INCREASE	PROPOSED REVENUES
Residential Gas Sales	\$3,879,925	\$877,630	\$4,757,555
Commercial Gas Sales	1,007,444	224,114	1,231,558
Total Gas Sales	4,887,369	1,101,744	5,989,113
Other Operating Revenues	56,570	8,170	64,740
Total Gas Revenues	<u>\$4,943,939</u>	<u>\$1,109,914</u>	<u>\$6,053,853</u>

NOTE:

(1) Including Revenue Pro Forma Adjustments But Excluding PGA Revenues

BLACK MOUNTAIN GAS DIVISION OF NSP
CAVE CREEK OPERATION
Test Year Ended December 31, 1999

PROPOSED CHANGES IN GAS RATES

DESCRIPTION	PRESENT RATE	PROPOSED RATE
RESIDENTIAL:		
Standard Rate:		
Monthly Service Charge	\$5.50	\$6.00
Commodity Rate Per Therm	\$0.8702	\$1.0794
Gas Air Conditioning:		
Monthly Service Charge	\$5.50	\$6.00
Commodity Rate Per Therm	\$0.3500	\$0.5106
CNG:		
Monthly Service Charge	\$6.00	\$6.00
Commodity Rate Per Therm	\$0.4000	\$0.5500
COMMERCIAL:		
Standard Rate:		
Monthly Service Charge	\$10.00	\$15.00
Commodity Rate Per Therm	\$0.8702	\$1.0508
Resort:		
Monthly Service Charge	\$22.95	\$30.00
Commodity Rate Per Therm	\$0.8702	\$1.0508
Co-Gen:		
Monthly Service Charge	\$10.00	\$30.00
Commodity Rate Per Therm	\$0.3260	\$0.4800

BLACK MOUNTAIN GAS DIVISION OF NSP
CAVE CREEK OPERATION
Test Year Ended December 31, 1999

TYPICAL BILL ANALYSIS

DESCRIPTION	THERM USAGE	BILL AT: (1)		PERCENT INCREASE
		PRESENT RATES	PROPOSED RATES	
COMMERCIAL:				
	10	\$18.70	\$25.51	36.39%
	50	53.51	67.54	26.22%
	100	97.02	120.08	23.77%
	200	184.04	225.16	22.34%
	300	271.06	330.24	21.83%
	400	358.08	435.32	21.57%
	500	445.10	540.40	21.41%
	750	662.65	803.10	21.20%
	1,000	880.20	1,065.80	21.09%
	1,500	1,315.30	1,591.20	20.98%
Average Bill	437	\$390.28	\$474.20	21.50%
RESORT:				
	10	\$31.65	\$40.51	27.98%
	50	66.46	82.54	24.20%
	100	109.97	135.08	22.83%
	200	196.99	240.16	21.91%
	300	284.01	345.24	21.56%
	400	371.03	450.32	21.37%
	500	458.05	555.40	21.25%
	750	675.60	818.10	21.09%
	1,000	893.15	1,080.80	21.01%
	1,500	1,328.25	1,606.20	20.93%
Average Bill	991	\$885.32	\$1,071.34	21.01%

NOTES:

(1) Excluding Revenue Taxes & PGA

BLACK MOUNTAIN GAS DIVISION OF NSP
CAVE CREEK OPERATION
Test Year Ended December 31, 1999

TYPICAL BILL ANALYSIS

DESCRIPTION	THERM USAGE	BILL AT: (1)		PERCENT INCREASE
		PRESENT RATES	PROPOSED RATES	
CO-GEN:				
	100	\$42.60	\$78.00	83.10%
	500	173.00	270.00	56.07%
	1,000	336.00	510.00	51.79%
	2,000	662.00	990.00	49.55%
	3,000	988.00	1,470.00	48.79%
	4,000	1,314.00	1,950.00	48.40%
	5,000	1,640.00	2,430.00	48.17%
	6,000	1,966.00	2,910.00	48.02%
	7,000	2,292.00	3,390.00	47.91%
	8,000	2,618.00	3,870.00	47.82%
Average Bill	4,174	\$1,370.72	\$2,033.52	48.35%

NOTES:

(1) Excluding Revenue Taxes & PGA